

Service Date: May 12, 1981

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application)	UTILITY DIVISION
by MONTANA DAKOTA UTILITIES COMPANY)	DOCKET NO. 81.1.2
to Adopt Increased Rates for Electric)	INTERIM ORDER NO. 4799
Service.)	

FINDINGS OF FACT

1. On January 5, 1981, Montana-Dakota Utilities (Applicant) applied to the Commission for authority to increase rates charged for electric service. The proposed tariffs filed with the application would increase revenues by \$8,824,065 over those of the test year.
2. Montana Consumer Counsel has been a party to these proceedings since the inception of this Docket.
3. On April 30, 1981, the Commission received the pre-filed testimony of Consumer Counsel witness George F. Hess. In Schedule 3 the need for additional revenues in the amount of \$4,352,000 is conceded.
4. The Montana Consumer Counsel is the protestant charged with protecting the rights of the consuming public. In this Docket the Applicant has demonstrated to the Commission that interim relief is required. Use of the conceded revenue level achieves a balance between timely rate relief and the strong possibility that rebates will not be required. Further, the conceded revenues represent the obvious income deficiency under the Commission's interim rules.

CONCLUSIONS OF LAW

1. Montana-Dakota Utilities Company is a public utility furnishing electric service to consumers in the State of Montana. As such it is subject to the supervision, regulation and control of this Commission, Section 69-3-102, MCA.

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2. Section 69-3-304, MCA, provides in part, "The Commission may in its discretion, temporarily approve increases pending a hearing or final decision."

3. The Commission concludes that an interim rate increase based upon the additional revenues conceded by Consumer Counsel is a reasonable means of providing interim relief to the Applicant.

4. If the final decision of the Commission is to disapprove the increase granted on an interim basis, the Commission will order a rebate thereof with interest of 10% to all customers, Section 69-3-304, MCA.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Montana-Dakota Utilities Company is hereby granted authority to implement on an interim basis increased rates designed to generate \$4,352,000 in additional revenues on an annual basis.

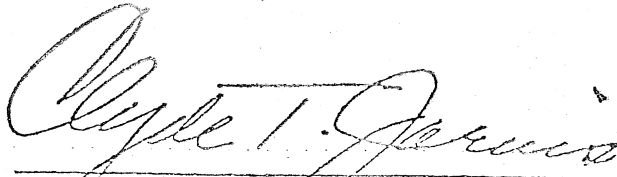
2. Montana-Dakota Utilities Company is to file revised rate schedules spreading the increased revenues to the existing customer classes on a uniform cents per kilowatt hour basis.


3. Nothing in this Interim Order precludes the Commission from adopting in its final order after reviewing the entire record in this Docket a revenue requirement different from that contained in this order.

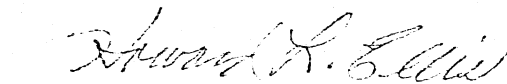
4. The interim relief granted in this Order is to be effective for electric service rendered on and after May 11, 1981.

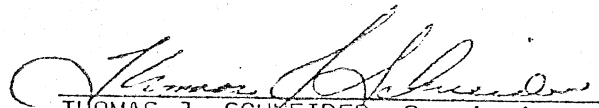
DONE IN OPEN SESSION this 11th day of May, 1981 by a vote of
4 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

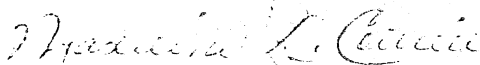

CLYDE JARVIS, Commissioner


JOHN B. DRISCOLL, Commissioner
(Concurring Opinion)


HOWARD L. ELLIS, Commissioner


THOMAS J. SCHNEIDER, Commissioner

ATTEST:


Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp. 38.2.4806 ARM.

CONCURRING OPINION
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By: John B. Driscoll, Commissioner

I agree with the approval of this interim order in all respects save one: The 10% interest rate stipulated to for refund of possible overcharges is not high enough. The stipulated rate reflects neither the consumer's or the utility's cost of money in today's market. Very likely the interest rate will be less than the rate of inflation faced by the consumer. If and when the money is returned to the rate payer, its present value will be considerably less than if it had been spent outright on the day it was paid to the utility as a result of this interim order.

If the Legislature's mandate of 10% for general rate increase refunds is applicable, then why the need for a stipulation between the utility and the Commission? Clearly, there is an opportunity to stipulate at a more realistic interest rate, and we should make an effort to reflect the true value of money to both the ratepayer and the utility.

There are a number of alternatives for arriving at a fairer interest rate. The best would seem to be an interest rate equal to the cost of equity found for the utility in the last rate case. If interim rate orders such as this are not approved then the substitute source of money is the utility equity holders. The equity interest rate should therefore be a satisfactory cost